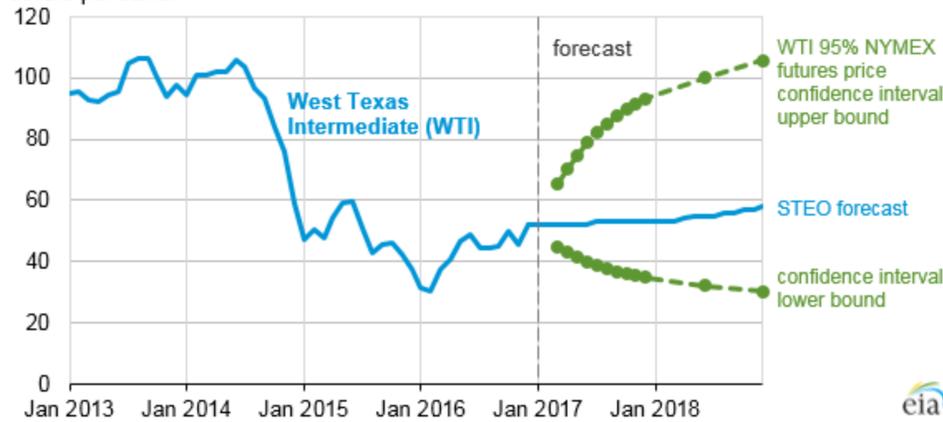


An Age Old Question: Make or Buy

Background

- During a Downturn, supplier markets shrink due to supplier exiting or other scenarios, therefore companies adjust their supply chain for optimizing capacity management.
- During an Upturn, companies decide between a Make or Buy Strategy

West Texas Intermediate crude oil price and NYMEX confidence intervals (2013-18)
dollars per barrel



The Problem

How to make the decision?

Make Strategies: Once a company invests in buying a supplier, utilizing that supplier may seem like a good idea. But is it?

Buy Strategies: Suppliers may have better quality standards, are more specialized and can even provide greater savings. But are they always the best choice?

**HOW CAN WE ANSWER THE AGE OLD QUESTION:
SHALL WE MAKE OR SHALL WE BUY?**

Methodology

Using a Case-based approach, we explored different practices used by companies in different market situations and industries. Furthermore, we plan to implement a scenario weighting system with different contributing indicators to facilitate decision-making.

Planning Stage

- Risk assessment.
- Appoint the project team.

Evaluation Stage

- Evaluate company's strategy.
- Determine core competencies.

Analysis Stage

- Measure future costs/performance.
- Determine core competencies.

Selection Stage

- Define organizational needs.
- Engage the marketplace.



Hypothesis

MAKE

- To differentiate products.
- When competitors control market.
- High supply market risk.
- Internal cost advantage
- Investment in process technology.

CRITERIA

Business Strategy

- Criticality for business success.
- Competitive positioning.

Supply Chain Risks

- Supply Market Risks
- Alternative Sources of supply.

Economic Factors

- Internal cost advantage
- Investment in technology that can't be recovered.

BUY

- Business Unattractive
- Market suitable for close partnerships
- Low switching costs.
- Accessibility to alternative supply
- Lower costs / better quality
- Insufficient in-house capabilities

*PWC Make or Buy: Three Pillars of Sound Decision Making

Initial Results

Based on our findings, we isolated a set of at least six assessments and 5 outcomes that are widely used to reach a decision of Make vs. Buy question. Below are our findings so far:

Assessment	Possible outcomes
Manufacturing Strategy Compatibility	Make in-house
Total delivered costs	Invest to Make in-house
Capacity	Buy from contract manufacturer
Intellectual property expose risk	Invest to buy from contract manufacturer
Business case	Redefine or do not make product
Contract manufacturers availability	

*AT Kearney: Make vs. Buy: Revisited

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